

Message Text

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PAGE 01 STATE 159612
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R 222207Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

UNCLAS STATE 159612

E.O. 11652: N/A

TAGS: BENC, RP

SUBJECT: MAJOR PROJECT: MANILA PAPER MILL

REF: A) MANILA 10095, B) MANILA 2977

1. APPRECIATE THOROUGH EMBASSY REPORTING REFTELS.
FOR EMBASSY INFORMATION, BROWN AND ROOT AND RUST
ENGINEERING REMAIN INTERESTED IN PROJECT PACKAGE AND
DORR OLIVER FOLLOWING EQUIPMENT POSSIBILITIES.

2. BEFORE INVESTING SUBSTANTIAL SUMS REQUIRED TO
PUT TOGETHER PACKAGE PROPOSAL, FIRMS WOULD FURTHER
BACKGROUND TO HELP THEM EVALUATE THE COMPETITIVE SITUATION.
QUESTIONS HAVE COME UP OVER FINANCIAL VIABILITY OF ENTIRE
PROJECT. ONE REPORT IS THAT MR. TY, PRESIDENT OF MANILA
PAPER, HAS BEEN PLANNING PROJECT FOR 5 TO 7 YEARS BUT HAS
NEVER BEEN ABLE TO ATTRACT FINANCING. PART OF PROBLEM
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APPEARS TO BE THAT MANILA PAPER OWNS NO FOREST RESERVES
(FIRM OWNS LAND BUT HAS NOT STARTED ITS FORESTATION)
AND WILL HAVE TO BUY WASTEWOOD AND ROUNDWOOD ON OPEN
MARKET WHERE PRICES CANNOT BE ASSURED. UNDERSTAND THAT
ORIGINAL ECONOMIC FEASIBILITY STUDY WAS DONE BY PHILIPPINE

FIRM OF SVG IN 1975 OR 1976 AND IS TO BE UPDATED.

MANILA PAPER HAS NOT RELEASED SVG FEASIBILITY STUDY
TO INTERESTED FIRMS, A FACT WHICH COMPLICATES THEIR

EFFORTS TO SECURE FINANCING. COULD EMBASSY INQUIRE
INTO AVAILABILITY OF STUDY.

3. FIRMS QUESTION WHETHER ALL COMPETITORS LISTED
PARA 4 REF A HAVE REALLY SUBMITTED PROPOSALS OR
WHETHER MOST ARE IN TALKING STAGE. THERE IS A RUMOR
THAT ONLY ONE EUROPEAN GROUP (UNNAMED) HAS OFFERED A
PACKAGE INCLUDING FINANCING AND THAT MANILA PAPER
IS LEANING TOWARD THIS GROUP. DOES EMBASSY HAVE REASON
TO BELIEVE ANY GROUP IS WELL ENTRENCHED IN PROJECT AND
THAT INQUIRIES TO OTHERS ARE MORE OF AN ATTEMPT TO KEEP
PRICE OF FAVORED PROPOSAL IN LINE?

4. ALSO UNDERSTAND THAT DEADLINE FOR SUBMISSION OF
PROPOSALS CHANGED TO END OF JULY OR BEGINNING OF
AUGUST. CAN EMBASSY CONFIRM?
VANCE

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